

EXPERIENCE STUDY – STATE TEACHERS’ RETIREMENT SYSTEM

Effect of Proposed Assumptions

For illustration, the effect of the proposed salary scale and demographic assumption changes based on the January 1, 2000 valuation results is shown below. The January 1, 2001 valuation results will reflect the proposed assumptions as well as the actual investment return for 2000, gains or losses on plan liabilities, and the impact of recent legislation. In light of the common goal of addressing the pension funding of the Commonwealth in a disciplined and appropriate manner, it is recommended that no change in the existing funding schedule take place at this time that would reduce the current level of appropriation.

1. Number of Members:			
Active Members		82,242	
Inactive Members		N/A	
Retirees and Survivors		<u>31,746</u>	
Total		113,988	
2. Total Annual Regular Compensation		\$3,703,587,000	
3. Average Annual Regular Compensation		\$45,033	
Development of Total Cost (in thousands)	Current Assumptions	Proposed Assumptions	Increase/Decrease
4. Normal Cost			
a. Total Normal Cost	\$445,481	\$380,000	(\$65,481)
b. Employee Contributions	<u>282,671</u>	<u>276,000</u>	<u>(6,671)</u>
c. Net Normal Cost	\$162,810	\$104,000	(\$58,810)
5. Actuarial Accrued Liability			
a. Active Members	\$10,588,975	\$11,125,900	\$536,925
b. Inactive Members	175,000	180,000	5,000
c. Retirees and Survivors	<u>5,656,296</u>	<u>5,738,300</u>	<u>82,004</u>
d. Total Actuarial Liability	\$16,420,271	\$17,044,200	\$623,929
6. Actuarial Value of Assets	<u>13,681,111</u>	<u>13,681,111</u>	<u>\$0</u>
	\$2,739,160	\$3,363,089	\$623,929
7. Unfunded Actuarial Liability: (5d)-(6)			
8. Funded Ratio: (6) / (5d)	83.3%	80.3%	(3.0%)
9. Amortization of unfunded liability (17 year level)	\$282,049	\$346,295	\$64,246
10. Total Cost: (4c) + (9)	\$444,859	\$450,295	\$5,436

Our results are shown for comparison only and assume a 17 year level dollar schedule on a fresh start basis. The results of the State Teachers’ valuation represent only one of the components of the total Commonwealth obligation. The determination of the funding schedule for the Commonwealth would also include the results of the State valuation, Boston Teachers, and the local COLA liability.